

**REPORT OF THE AUDIT OF THE  
FORMER GRANT COUNTY  
CLERK**

**For The Year Ended  
December 31, 2014**



**MIKE HARMON  
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**EXECUTIVE SUMMARY**

**AUDIT OF THE**  
**FORMER GRANT COUNTY CLERK**

**For The Year Ended**  
**December 31, 2014**

The Auditor of Public Accounts has completed the former Grant County Clerk's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees decreased by \$2,986 from the prior year, resulting in excess fees of \$104,729 as of December 31, 2014. Receipts increased by \$178,628 from the prior year and disbursements increased by \$181,614.

**Report Comments:**

- 2014-001    The Former County Clerk Should Have Prepared And Submitted Accurate Quarterly Financial Statements
- 2014-002    The Former County Clerk Should Have Improved Controls Over Receipts
- 2014-003    The Former County Clerk Did Not Have Adequate Segregation Of Duties Over Receipts And Disbursements
- 2014-004    The Former County Clerk Should Have Improved Controls Over Disbursements

**Deposits:**

The former County Clerk's deposits were insured and collateralized by bank securities.



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Stephen Wood, Grant County Judge/Executive  
The Honorable Layne Wagoner, Former Grant County Clerk  
The Honorable Tabatha Clemons, Grant County Clerk  
Members of the Grant County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former County Clerk of Grant County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Stephen Wood, Grant County Judge/Executive  
The Honorable Layne Wagoner, Former Grant County Clerk  
The Honorable Tabatha Clemons, Grant County Clerk  
Members of the Grant County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the former County Clerk, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Clerk for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015 on our consideration of the former Grant County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the former Grant County Clerk's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



The Honorable Stephen Wood, Grant County Judge/Executive  
The Honorable Layne Wagoner, Former Grant County Clerk  
The Honorable Tabatha Clemons, Grant County Clerk  
Members of the Grant County Fiscal Court

**Other Reporting Required by Government Auditing Standards (Continued)**

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Former County Clerk Should Have Prepared And Submitted Accurate Quarterly Financial Statements
- 2014-002 The Former County Clerk Should Have Improved Controls Over Receipts
- 2014-003 The Former County Clerk Did Not Have Adequate Segregation Of Duties Over Receipts And Disbursements
- 2014-004 The Former County Clerk Should Have Improved Controls Over Disbursements

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

November 6, 2015

GRANT COUNTY  
LAYNE WAGONER, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State Fees For Services	\$	6,825
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Fiscal Court		4,861
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 730,289	
Usage Tax	2,923,634	
Tangible Personal Property Tax	1,828,735	
Notary Fees	9,322	

Other-

Marriage Licenses	5,716	
Deed Transfer Tax	49,393	
Delinquent Tax	280,293	5,827,382

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	16,844	
Real Estate Mortgages	34,832	
Chattel Mortgages and Financing Statements	79,469	
Powers of Attorney	4,831	
All Other Recordings	37,719	

Charges for Other Services-

Candidate Filing Fees	2,495	
Copywork	1,889	
Postage	307	178,386

Other:

Candidate Filing Fees	1,074	
Miscellaneous	436	1,510

Interest Earned		100
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Total Receipts		6,019,064
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The accompanying notes are an integral part of this financial statement.

GRANT COUNTY  
 LAYNE WAGONER, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2014  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 489,383

Usage Tax 2,834,625

Tangible Personal Property Tax 613,962

Licenses, Taxes, and Fees-

Delinquent Tax 20,385

Legal Process Tax 19,155

Affordable Housing Trust 19,018 \$ 3,996,528

Payments to Fiscal Court:

Tangible Personal Property Tax 224,729

Delinquent Tax 32,174

Deed Transfer Tax 43,137 300,040

Payments to Other Districts:

Tangible Personal Property Tax 917,443

Delinquent Tax 147,736 1,065,179

Payments to Sheriff 21,789

Payments to County Attorney 35,538

Tax Bill Preparation 3,108

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries 200,954

Part-Time Salaries 7,146

Employee Benefits-

Employer's Share Social Security 15,500

Employer's Share Retirement 51,467

Employer's Paid Health Insurance 44,712

Contracted Services-

Advertising 192

Accounting Services 1,058

Materials and Supplies-

Office Supplies 9,879

The accompanying notes are an integral part of this financial statement.

GRANT COUNTY  
 LAYNE WAGONER, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2014  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-		
Conventions and Travel	\$	590
Postage		6,175
Telephone		6,606
Refunds		10,387
Insurance and Bonds		1,078
Miscellaneous		6,480
Capital Outlay-		
Office Equipment		<u>47,132</u>
	\$	<u>409,356</u>
Total Disbursements		<u>\$ 5,831,538</u>
Net Receipts		187,526
Less: Statutory Maximum		<u>79,197</u>
Excess Fees		108,329
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for 2014		104,729
Payment to Fiscal Court - September 22, 2014		<u>13,746</u>
Balance Due Fiscal Court at Completion of Audit *		<u>\$ 90,983</u>

\* - The County Clerk presented a check to the Fiscal Court for excess fees in the amount of \$90,083 on May 12, 2015. An additional \$900 is due to the Fiscal Court.

The accompanying notes are an integral part of this financial statement.

GRANT COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GRANT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014  
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

The County Clerk's contribution for calendar year 2012 was \$56,010, calendar year 2013 was \$57,681, and calendar year 2014 was \$51,467.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

GRANT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014  
(Continued)

Note 3. Deposits

The former Grant County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The former Grant County Clerk did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Stephen Wood, Grant County Judge/Executive  
The Honorable Layne Wagoner, Former Grant County Clerk  
The Honorable Tabatha Clemons, Grant County Clerk  
Members of the Grant County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Grant County Clerk for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated November 6, 2015. The former County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the former Grant County Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing out opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Grant County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Grant County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-003 and 2014-004 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001 and 2014-002 to be significant deficiencies.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the former Grant County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, and 2014-004.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line.

Mike Harmon  
Auditor of Public Accounts

November 6, 2015

## COMMENTS AND RECOMMENDATIONS



GRANT COUNTY  
LAYNE WAGONER, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001    The Former County Clerk Should Have Prepared And Submitted Accurate Quarterly Financial Statements

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The former County Clerk did not prepare or submit quarterly financial statements to the Department for Local Government, only a final 4<sup>th</sup> Quarter Report with year-to-date totals. The quarterly reports, which also serve as the Clerk's year-end financial statements, are required to be submitted by the 30<sup>th</sup> day following the close of each quarter per the Department for Local Government reporting requirements. Furthermore, the former County Clerk did not accurately reflect amounts in the receipts or disbursements sections on the final 4<sup>th</sup> Quarter Report, requiring numerous adjustments.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the County Budget Preparation and State Local Finance Officer Policy Manual, requires the former County Clerk to maintain accurate books of original entry and submit an accurate quarterly financial report. Failure to submit an accurate quarterly financial report could result in misrepresentation of financial reporting.

The former County Clerk should have maintained accurate receipts and disbursements ledgers, and reconciled those ledgers to the monthly reports and bank accounts to ensure accurate ledger amounts were carried to the quarterly financial reports. The former County Clerk should have ensured that correct amounts were shown on all financial statements presented to the public and to the Department for Local Government. Lastly, quarterly reports should have been submitted at the close of each quarter.

*Former County Clerk's Response: No Response.*

2014-002    The Former County Clerk Should Have Improved Controls Over Receipts

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The former County Clerk did not comply with Kentucky Revised Statutes (KRS) or the State Local Finance Officer Policy Manual regarding receipts. Due to inconsistent, incomplete, and inaccurate implementation of controls, we noted the following issues with receipts:

- A receipts journal for the accounting of all receipts, collected and separated into appropriate categories, was not maintained. Receipts were posted by daily totals and not recorded by individual source.
- Receipts were not issued in numerical sequence, were not batched daily, were not being accounted for, and were not filed with the Daily Checkout Sheets.
- Auditors were unable to compare Daily Checkout Sheet totals to batched receipts or to receipts journals.

Based on the minimum accounting and reporting standards as prescribed by the State Local Finance Officer pursuant to KRS 68.210, the former County Clerk should have maintained a receipts journal for all collections. At the end of each business day, receipts should have been separated into categories listed on the Daily Checkout Sheet. The total of each category should have been entered in the appropriate space provided. The Daily Checkout Sheet total should equal the amount of money on hand at the end of each day, less startup cash.

GRANT COUNTY  
LAYNE WAGONER, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2014  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-002 The Former County Clerk Should Have Improved Controls Over Receipts (Continued)

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Receipts should have been posted to the receipts journal and on a daily basis and a copy of each receipt should have been placed with the daily checkout sheet in sequential order, per KRS 64.840.

The cumulative effect of the control weaknesses increase the risk of material misstatement caused by error or fraud. Misstatements for receipts increase when they are not maintained and cannot be traced in sequence. The former County Clerk should have implemented controls to ensure receipts were handled properly. All daily receipts should have been attached to Daily Checkout Sheets and should have been accounted for in numerical sequence.

*Former County Clerk's Response: No Response.*

2014-003 The Former County Clerk Did Not Have Adequate Segregation Of Duties Over Receipts And Disbursements

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The former County Clerk's office had a lack of segregation of duties over receipts, disbursements, and bank reconciliations. The former County Clerk printed the Point of Sale (POS) daily checkout sheet, prepared the daily deposit, and posted to the receipts ledger. The former County Clerk also prepared, signed, and posted all disbursements. Further, the former County Clerk prepared all monthly and quarterly reports and performed all of the bank reconciliations.

Segregation of duties over receipts and disbursements or implementation of compensating controls is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets. Adequate segregation of duties would prevent the same person from having a significant role in the receiving and disbursing of funds, and recording and reporting of those receipts and disbursements. The lack of segregation of duties increased the former County Clerk's risk of misappropriation of assets, errors, and inaccurate financial reporting.

The former County Clerk should have strengthened internal controls by segregating these duties. If segregation of duties was not possible due to a limited number of staff, strong oversight and compensating controls should have been implemented. All compensating controls and reviews by other individuals could have been documented by initialing source documents.

*Former County Clerk's Response: No Response.*



GRANT COUNTY  
LAYNE WAGONER, FORMER COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2014  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-004 The Former County Clerk Should Have Improved Controls Over Disbursements

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The former County Clerk did not comply with Kentucky Revised Statutes (KRS) or the State Local Finance Officer Policy Manual regarding disbursements. Due to inconsistent, incomplete, and inaccurate implementation of controls, we noted the following issues with disbursements:

- The former County Clerk made non-check disbursements including two cashier's checks totaling \$90,088 and one cash withdrawal for \$268. The State Local Finance Officer Policy Manual requires that all disbursements be made by check only.
- The former County Clerk did not have original invoices or other supporting documentation for all disbursements. The State Local Finance Officer Policy Manual, along with Funk vs. Milliken, a case decided by Kentucky's highest court, requires adequate documentation for all disbursements.
- The former County Clerk purchased a computer package totaling \$35,278 without advertising for bids. KRS 424.260 requires that all disbursements over \$20,000 be advertised for bid in a local newspaper.
- The former County Clerk paid one taxing district, the Grant County Fiscal Court, twice for tangible personal property taxes due, resulting in an overpayment of \$13,746. Good internal controls dictate that all invoices be cancelled upon payment to prevent duplicate payments.
- The former County Clerk did not disburse delinquent taxes to districts timely, at times as late as 34 days past due. KRS 134.815(1) states, in part, "The county clerk shall, by the tenth of each month, report under oath and pay to the state, county, city, urban-county government, school, and special taxing districts all ad valorem taxes on motor vehicles collected by him for the preceding month, less the collection fee of the county clerk, which shall be deducted before payment to the depository."

The cumulative effect of these control weaknesses increases the risk of material misstatement caused by error or fraud. The former County Clerk should have improved controls over disbursements by implementing the following:

- Requiring all disbursements be made by check only.
- Maintaining original invoices and adequate documentation for all disbursements.
- Bidding all disbursements over \$20,000 not purchased on the state master agreement price contract.
- Cancelling invoices to prevent duplicate payments.
- Disbursing all taxes due by the 10<sup>th</sup> of each month to the respective districts.

*Former County Clerk's Response: No Response.*

